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SUBJECT: UZBEKISTAN IN OR OUT OF THE CENTRAL ASIAN ENERGY GRID?

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09 ASTANA 1620; 08 TASHKENT 1052

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1. (SBU) SUMMARY. In recent weeks GOU officials have sent frightening signals to Uzbekistan's neighbors by saying that the country cannot guarantee reliable transit of power, wants payments for power overflows, and may even withdraw from the United Central Asia Power System (CAPS). Now nearly energy independent, Uzbekistan appears to have decided that this is the time to flex its muscle and reap greater benefit from its location and key role in CAPS. Although near-term withdrawal from CAPS is unlikely, the coming winter could be another cold and dark one for Tajikistan and Kyrgyzstan as Uzbekistan increases fees for transit and occasionally interrupts power for "technical" reasons. END SUMMARY

CAPS: WHAT IS IT?

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2. (SBU) The United Central Asia Power System (CAPS) was developed in Soviet times to integrate the power generation and distribution infrastructure for the Central Asian Region (CAR). Uzbekistan, Kyrgyzstan, and Tajikistan were the core members of this regional power transmission grid, which also included the transmission systems of southern Kazakhstan and portions of Turkmenistan. Uzbekistan generated 51 percent of the grid's power, followed by Tajikistan at 15 percent, Kyrgyzstan at 14 percent, Turkmenistan at 11 percent, and southern Kazakhstan at 9 percent. (NOTE: Kazakhstan, due to its geography, was connected to the Siberian Power System in the north and to CAPS in the south, with only limited connection between the two.) Tajikistan and Kyrgyzstan generated electricity mainly in the summers via hydro-power and imported electricity during the winter consumption peaks. Southern Kazakhstan was always a net importer of electricity, mainly from Uzbekistan.

3. (SBU) CAPS was an advanced solution for its time. It ensured reliable, stable, balanced, and harmonized power sharing between the republics by using one united and self-balanced 500kV transmission ring. It was designed and built without consideration of the administrative borders between the republics, and it was coordinated directly by a dispatch center in Moscow.

4. (SBU) After 1991 all CA states except Turkmenistan agreed to

maintain this system under the direction of the Coordination Power Council of Central Asia (CPECA). The Council is chaired on a rotating basis by the energy ministers of the member states. The technical operation of CAPS is provided by the Coordination Dispatch Center (CDC), which works under the direction of CPECA and is located in Tashkent. CDC is responsible for maintaining the balanced and synchronized operation of the 500 kV and 220 kV transmission systems of the four Central Asian states.

15. (SBU) Although it is almost impossible to control the timing and location of so-called overflows of electrical power in member countries, CAPS does have a limited ability to anticipate these events. It also has the ability to regulate the operation of the Naryn-Syrdarya and Amurdarya cascades. The CA governments agree on the actual volumes of power swaps on an annual basis through bilateral negotiations.

#### CAPS: THE BILATERAL COMPONENT

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16. (SBU) The bilateral agreements between Uzbekistan and Kyrgyzstan are based mainly on energy swaps. Kyrgyzstan generates almost all

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of its power from hydroelectric plants located in the Naryn River basin, which is also an important source of water for Uzbekistan's eastern provinces and for Kazakhstan. Historically, in summer Kyrgyzstan produced more power than it needed because it released water for the irrigation needs of its neighbors, to whom it also exported its surplus power. In winter it released only small amounts of water and thus needed to import electricity and gas from Uzbekistan and Kazakhstan.

17. (SBU) This balance began to fail after 2000. Uzbekistan and Kyrgyzstan generated a long list of mutual charges of infringements. Several times Uzbekistan suspended gas supplies to Kyrgyzstan due to Kyrgyz debts, and Kyrgyzstan, in response, began to generate power in the winter, releasing water and creating floods in Uzbekistan and Kazakhstan. Kyrgyzstan also began urging its neighbors to buy its excess electricity at low rates (4 cents per kWh). The political will for compromise was lacking in both countries. Instead, Uzbekistan built a new 169 km, 500kV line from the Novo-Angren power plant to the Fergana Valley, thereby making it fully independent of power imports from Kyrgyzstan. Kyrgyzstan in turn announced plans to build two new power plants on the Naryn River (Kambarata 1 and 2), which would give it even greater power to regulate water releases to downstream Uzbekistan. Kyrgyz national electrical grid operator NESK recently signed a memorandum of understanding with the Chinese company TBEA to build "Datka" hub-station in southern Kyrgyzstan, and construction of 500kV lines to the north and south of the country, which will allow Kyrgyzstan to transmit power independently on its territory by avoiding Uzbekistan's transmission grid.

18. (SBU) Tajikistan also relies on hydro-power. Like Kyrgyzstan, Tajikistan exports excess power in summer and imports it in winter. Because of its limited generation capacity, however, Tajikistan is a net importer of electricity. In 2008 the country exported about 1 billion kWh and imported 3.25 billion kWh. The country has two separate electrical networks, the northern and southern grids, and energy passing between the two must transit the Uzbek network. Next year, however, the "South-North" transmission line, a four-year project funded by the Export-Import Bank of China that will link the two grids, is due to be completed.

¶9. (SBU) Even with the South-North line, Tajikistan remains heavily dependent on winter energy imports. According to bilateral arrangement, Uzbekistan has agreed to supply 600 million kWh to Tajikistan in winter in exchange for imports of 900 million kWh in summer. This summer Tashkent declined to accept some of Tajikistan's energy, claiming it had adequate capacity, leaving open the possibility that it may decline to send Tajikistan energy in the winter under the swap arrangement. Under a separate agreement, Turkmenistan provides an additional 1.2 billion kWh to Tajikistan in winter. This electricity passes through the Uzbek grid in exchange for transit fees (refs B and C).

¶10. (SBU) These arrangements with Tajikistan have also been problematic. The Uzbek power system suspended its supply to Tajikistan during the anomalously cold winter of 2007-08. It did the same in the winter of 2008-09, when it also refused to allow the transit of most of the Turkmen electricity until winter was almost over. In both cases Uzbekistan explained the disruption as being due to "technical problems."

¶11. (SBU) Tajikistan continues to dream of completing the Rogun hydro-plant that remains unfinished from Soviet days. In 2008 President Rakhmon is reputed to have said, "I will bring Uzbekistan to its knees" (ref E). Uzbekistan has officially denounced Tajik plans, which Uzbekistan claims will lead to water shortages in downstream countries. At the same time, before the end of the year Uzbekistan expects to complete its new Guzar-Surkhan 500kV power line that connects its southern regions with the core power grid without crossing Tajik territory (ref A). This development does not bode well for Tajikistan in the coming winter of 2009-10.

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¶12. (SBU) For their part, Tajik officials have publicly pronounced that they are prepared to weather the winter with no electricity imports. They say additional energy from the recently-completed 670 MW Sangtuda-1 hydropower station will help overcome other deficits. Given Sangtuda's relatively modest size, few believe Tajikistan can make it through the winter on domestic supplies alone without serious rationing. The recent visit of President Rahmon to Turkmenistan suggests that the Tajik leadership is eager to secure power from Ashgabat.

AS CAPS EVOLVES

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¶13. (SBU) It is clear that CAPS is in transition from a unified regional power grid to a combination of separate national power systems. Turkmenistan removed itself from CAPS ten years ago, connecting instead to the South Caspian power grid. Kazakhstan recently completed construction of a second North-South 500kV line that serves as an interconnection between the Siberian Power System and CAPS, and President Nazarbayev used the occasion to declare that Kazakhstan has "become fully independent from all other exporters" and would no longer need to depend on its southern neighbors for electricity (ref D). Earlier a Kazakh industry official said that the function of regional power regulator should be moved from Tashkent to Almaty, because CAPS now has interconnections with Russian and Afghan grids and should therefore be reviewed as part of a broader system.

¶14. (SBU) This year Uzbekistan has been sending its own strong signals of future intentions. In late August an official Uzbek newspaper published an article saying that Uzbekistan's electrical

network cannot guarantee reliable transit of "irrationally" large volumes of power from one neighboring country to another, an obvious reference to the power supply contract between Turkmenistan and Tajikistan. Calling such contracts irresponsible, the article explained that when the Uzbek grid receives energy from sources located in a neighboring country, it affects the operation of Uzbek power stations, leads to inadmissible load decreases on hub substations, and, as consequence, to equipment failures.

¶15. (SBU) On October 15 Kazakh media reported that Uzbekistan is about to withdraw from CAPS. At the last minute, Kyrgyzstan's Minister of Energy Davydov travelled to Tashkent and pleaded with UzbekEnergo to refrain from doing so. They gave him a 48-hour reprieve; and then, on 17 October, UzbekEnergo announced in a letter to the national grid operators that they would indefinitely delay the action. At the same time UzbekEnergo notified Kyrgyzstan that Uzbekistan will begin charging for what previously had been free electricity transmission to Kyrgyzstan through Kazakhstan.

¶16. (SBU) Meanwhile, despite hopes and bluster, the power systems of Kyrgyzstan and Tajikistan remain vulnerable, and it is in the interest of both countries to maintain the system as it was in Soviet and early post-Soviet times. The breakdown of CAPS likely will lead to network failures in these countries and undermine their energy security. In reaction, Kyrgyzstan has renewed warnings to Uzbekistan that it may charge for water. Unexpectedly, in early October President Berdimuhamedov of Turkmenistan -- previously a supporter of the Uzbek point of view on water issues -- came out in favor of compensating Tajikistan for water releases, infuriating Uzbek leaders.

COMMENT

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¶17. (SBU) Although Uzbekistan's power system is now almost completely self-sufficient, permanent withdrawal from CAPS in the near future is not likely. Both Uzbek and Kazakh officials are

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enjoying their new-found independence as a way to make political statements, but engineers such as those at CDC understand that balancing a smaller national system is more difficult than balancing a large regional grid that was designed from the ground up with balance as an operational requirement.

¶18. (SBU) What is more likely in the near term is that Uzbekistan will continue to increase its pressure on Tajikistan and Kyrgyzstan by imposing or increasing transit fees. It is also likely to continue making political statements by periodically shutting off the flow of electricity. Given the energy-swap failures of the last two years, whether or not Uzbekistan formally withdraws from CAPS may not ultimately change much for some of its upstream neighbors, who are likely to see another cold and dark winter this year.

¶19. (U) This cable was cleared by Embassies Astana, Ashgabad, Bishkek, and Dushanbe.  
NORLAND